

**CHENEY RECREATION COMMISSION
CHENEY, KANSAS**

**FINANCIAL STATEMENT
JUNE 30, 2015**

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

CHENEY RECREATION COMMISSION
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BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Cheney Recreation Commission Cheney, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of the **Cheney Recreation Commission, Cheney, Kansas**, as of and for the year ended **June 30, 2015** and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Cheney Recreation Commission

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 of the financial statement, the financial statement is prepared by the **Cheney Recreation Commission, Cheney, Kansas**, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **Cheney Recreation Commission, Cheney, Kansas**, as of **June 30, 2015**, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the **Cheney Recreation Commission, Cheney, Kansas**, as of **June 30, 2015**, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Regulatory-Required Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

Cheney Recreation Commission

The 2014 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget (as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 basic financial statement upon which we rendered an unmodified opinion dated August 25, 2014. The 2014 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link

<http://da.ks.gov/ar/muniserv/>. Such 2014 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC

September 10, 2015

CHENEY RECREATION COMMISSION
SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add		Ending Cash Balance
						Encumbrances and Accounts Payable		
General Fund	\$ 139,231	\$ 0	\$ 166,689	\$ 147,497	\$ 158,423	\$ 0	\$	\$ 158,423
Special Purpose Funds								
Employee Benefit Fund	28	0	28,075	27,309	794	3,412		4,206
	<u>\$ 139,259</u>	<u>\$ 0</u>	<u>\$ 194,764</u>	<u>\$ 174,806</u>	<u>\$ 159,217</u>	<u>\$ 3,412</u>	<u>\$</u>	<u>\$ 162,629</u>
Composition of Cash:								
					Checking Accounts		\$	102,529
					Certificate of Deposit			60,000
					Petty Cash			100
							<u>\$</u>	<u>162,629</u>

The notes to the financial statement are an integral part of this statement.

**CHENEY RECREATION COMMISSION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2015**

Note 1 - Summary of Significant Accounting Policies:

Financial Reporting Entity

Cheney Recreation Commission is a recreation commission established under State of Kansas statutes designed to provide recreational services in and around Cheney, Kansas. The Commission is governed by an elected five-member Board of Education. The Commission's financial statement includes all funds over which the commission exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

KMAAG Regulatory Basis of Presentation Fund Definitions:

General Fund-The primary operating fund. Used to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds-To account for the proceeds of specific receipts (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the regulatory basis of accounting.

Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the Commission. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget at least ten days before the hearing.
2. Public hearing at least ten days after publication of notice of hearing and at least ten days before certification of the budget to the Commission.
3. Certification of the final budget to the Commission on or before August 1st.

**CHENEY RECREATION COMMISSION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2015**

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget was not amended during the year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

Note 2 - Defined Benefit Pension Plan:

Plan Description

The Commission participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Net Pension Liability

The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014, the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the Commission's proportionate share of the net pension liability is \$35,287 as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

**CHENEY RECREATION COMMISSION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2015**

Note 3 - Contingencies:

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

Note 4 - Retirement Plan

The Commission has a Simplified Employee Pension (SEP) plan. Employees who are 21 years of age and have worked for the Commission for three of the last 5 years are eligible to participate. The Commission may contribute up to the lesser of 25% of the employees' compensation or \$5,000. The Commission contributed \$5,000 to employee SEP plans during year ended June 30, 2015.

Note 5 - Postemployment Benefits:

As provided by K.S.A. 12-5040, the Commission allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

Note 6 - Operating Lease

The Commission leases a building in Cheney, Kansas. The lease for the building requires monthly payments of \$250.

Minimum scheduled lease payments under this lease for the years ended June 30 are as follows:

2016	<u>\$1,500</u>
Total future minimum lease payments	<u>\$1,500</u>

Expenditures for lease payments were \$3,000 for the year ended June 30, 2015.

**CHENEY RECREATION COMMISSION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2015**

Note 7 - Deposits:

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2015.

At June 30, 2015, the Commission's carrying amount of deposits was \$162,529 and the bank balance was \$180,881. The bank balance is held by one bank. Of the bank balance, \$180,881 was covered by depository insurance.

Note 8 - Reimbursed Expenses:

The Commission records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Note 9 - Subsequent Events

The Commission has evaluated subsequent events through September 10, 2015, the date which the financial statement was available to be issued.

**REGULATORY REQUIRED
SUPPLEMENTARY INFORMATION**

CHENEY RECREATION COMMISSION
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015

Fund	Certified Budget	Adjustment to		Adjustment for		Total Budget for Comparison	Expenditures		Variance - Over (Under)
		Legal Max	Comply with	Budget Credits	Qualifying		Chargeable to Current Year		
General Fund	\$ 313,410	\$ 0	\$ 0	129	\$ 129	\$ 313,539	\$ 147,497	\$	(166,042)
Special Purpose Funds									
Employee Benefit Fund	28,075	0	0	0	0	28,075	27,309		(766)
	<u>\$ 341,485</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>129</u>	<u>\$ 129</u>	<u>\$ 341,614</u>	<u>\$ 174,806</u>	<u>\$</u>	<u>(166,808)</u>

CHENEY RECREATION COMMISSION
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)

<u>General Fund</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
USD Allocation	\$ 96,841	\$ 103,725	\$ 105,000	\$ (1,275)
Fees	59,496	54,315	45,000	9,315
Miscellaneous	0	5,401	500	4,901
Reimbursements	2,602	129	1,000	(871)
Concessions	0	2,880	500	2,380
Donations	0	0	500	(500)
Interest on Idle Funds	246	239	400	(161)
	<u>159,185</u>	<u>166,689</u>	<u>\$ 152,900</u>	<u>\$ 13,789</u>
Expenditures				
Director	45,340	46,700	\$ 46,700	\$ 0
Contract Labor	6,707	6,874	8,000	(1,126)
Officials	8,057	8,547	9,000	(453)
Other Labor	19,079	20,123	24,000	(3,877)
Insurance	7,238	5,013	8,000	(2,987)
Donations Used	0	0	2,385	(2,385)
Supplies	4,175	2,920	4,500	(1,580)
Electricity	2,653	3,013	3,000	13
Use of Facilities	0	0	4,000	(4,000)
Equipment	7,408	6,491	8,000	(1,509)
Transportation	2,862	1,685	3,400	(1,715)
Long term capital outlay	0	6,371	12,000	(5,629)
Publications	2,121	2,295	3,250	(955)
Activity Programs	21,248	21,307	22,000	(693)
League Fees	1,085	1,520	2,000	(480)
Auditor	2,450	2,550	2,600	(50)
Attorney	0	0	1,000	(1,000)
Other Utilities	5,584	5,246	6,000	(754)
Computer Technology	2,006	1,018	2,500	(1,482)
Staff Development	2,245	2,048	3,250	(1,202)
Concessions	160	1,593	1,000	593
Taxes	0	0	1,000	(1,000)
Long Term Capital Improvements	42,228	0	129,954	(129,954)
Miscellaneous	5,119	2,183	6,000	(3,817)
	<u>187,765</u>	<u>147,497</u>	<u>\$ 313,539</u>	<u>\$ (166,042)</u>
Receipts Over (Under) Expenditures	(28,580)	19,192		
Unencumbered Cash, Beginning	167,811	139,231		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 139,231</u>	<u>\$ 158,423</u>		

CHENEY RECREATION COMMISSION
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)

<u>Employee Benefit Fund</u>	<u>Current Year</u>			Variance - Over (Under)
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
USD Allocation	\$ 26,219	\$ 28,075	\$ 28,075	\$ 0
	<u>26,219</u>	<u>28,075</u>	<u>\$ 28,075</u>	<u>\$ 0</u>
Expenditures				
Kansas Unemployment Taxes	1,249	1,068	\$ 1,750	\$ (682)
Federal Unemployment Taxes	205	211	250	(39)
Insurance	11,054	10,629	11,000	(371)
Social Security and Medicare	5,544	5,726	6,500	(774)
KPERS	4,139	4,675	4,575	100
Retirement	4,000	5,000	4,000	1,000
	<u>26,191</u>	<u>27,309</u>	<u>\$ 28,075</u>	<u>\$ (766)</u>
Receipts Over (Under) Expenditures	28	766		
Unencumbered Cash, Beginning	0	28		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 28</u>	<u>\$ 794</u>		